



(A California Nonprofit Public Benefit Corporation)

Financial Statements

June 30, 2018 and 2017

SENECA FAMILY OF AGENCIES

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Independent Auditors' Report

To the Audit Committee
Seneca Family of Agencies

Report on the Financial Statements

We have audited the accompanying financial statements of Seneca Family of Agencies (a California non-profit public benefit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seneca Family of Agencies as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and nonfederal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of Alameda County grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental fair value information in Note 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2018, on our consideration of Seneca Family of Agencies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seneca Family of Agencies' internal control over financial reporting compliance.

A handwritten signature in black ink that reads "Gilmore & Associates LLP". The signature is written in a cursive, flowing style.

San Mateo, CA
December 15, 2018

SENECA FAMILY OF AGENCIES

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 5,364,830	\$ 9,280,266
Investments	12,064	11,772
Accounts receivable:		
Government agencies	23,512,290	19,330,931
Other	601,140	371,536
Pledges receivable	-	117,200
Prepaid expenses	801,931	592,976
	<u>30,292,255</u>	<u>29,704,681</u>
Property and equipment - net		
Held and used	30,056,155	24,205,450
Held for sale	2,778,504	3,091,326
	<u>32,834,659</u>	<u>27,296,776</u>
Other assets		
Deposits	1,574,671	1,299,715
Other	45,200	45,200
	<u>1,619,871</u>	<u>1,344,915</u>
	<u>\$ 64,746,785</u>	<u>\$ 58,346,372</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,315,357	\$ 1,685,061
Accrued liabilities	9,332,095	8,809,683
Reserves	519,873	511,235
Overpayments	1,921,216	2,017,141
Deferred revenue	3,961,438	3,010,570
Notes payable	66,763	254,091
Bonds payable	329,937	-
	<u>17,446,679</u>	<u>16,287,781</u>
Long term liabilities		
Reserves, net of current portion	3,316,333	3,348,958
Notes payable, net of current portion	1,101,503	6,695,568
Bonds payable	18,161,499	8,354,715
	<u>22,579,335</u>	<u>18,399,241</u>
	<u>40,026,014</u>	<u>34,687,022</u>
Net assets		
Unrestricted	23,510,609	21,980,269
Temporarily restricted	1,144,987	1,613,906
Permanently restricted	65,175	65,175
	<u>24,720,771</u>	<u>23,659,350</u>
	<u>\$ 64,746,785</u>	<u>\$ 58,346,372</u>

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions				
General	\$ 658,732	\$ 1,873,572	\$ -	\$ 2,532,304
In-kind	387,203	-	-	387,203
Government contracts	103,218,234	-	-	103,218,234
Program service fees - health insurance	2,976,623	-	-	2,976,623
Special events (net of expenses of \$84,793)	113,092	-	-	113,092
Other revenue	2,942,690	-	-	2,942,690
Interest income	22,523	-	-	22,523
Net assets released from restrictions	2,342,491	(2,342,491)	-	-
	112,661,588	(468,919)	-	112,192,669
Expenses				
Program services	96,376,050	-	-	96,376,050
Support services	14,755,198	-	-	14,755,198
	111,131,248	-	-	111,131,248
Changes in net assets	1,530,340	(468,919)	-	1,061,421
Net assets, beginning of year	21,980,269	1,613,906	65,175	23,659,350
Net assets, end of year	\$ 23,510,609	\$ 1,144,987	\$ 65,175	\$ 24,720,771

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions				
General	\$ 496,641	2,013,774	\$ -	\$ 2,510,415
In-kind	541,940	-	-	541,940
Government contracts	103,699,662	-	-	103,699,662
Program service fees	2,057,099	-	-	2,057,099
Special events (net of expenses of \$56,553)	156,636	-	-	156,636
Other revenue	1,968,972	-	-	1,968,972
Interest income	7,285	-	-	7,285
Net assets released from restrictions	1,973,540	(1,973,540)	-	-
	110,901,775	40,234	-	110,942,009
Expenses				
Program services	95,172,021	-	-	95,172,021
Support services	14,272,569	-	-	14,272,569
	109,444,590	-	-	109,444,590
Changes in net assets	1,457,185	40,234	-	1,497,419
Net assets, beginning of year	20,523,084	1,573,672	65,175	22,161,931
Net assets, end of year	\$ 21,980,269	\$ 1,613,906	\$ 65,175	\$ 23,659,350

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Functional Expenses

Year Ended June 30, 2018

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 31,983,812	\$ 27,368,264	\$ 3,228,443	\$ 1,348,338	\$ 63,928,857	\$ 710,245	\$ 7,086,905	\$ 71,726,007
Payroll taxes and employee benefits	7,117,613	6,090,479	718,451	300,057	14,226,600	158,057	1,577,126	15,961,783
Total Payroll	39,101,425	33,458,743	3,946,894	1,648,395	78,155,457	868,302	8,664,031	87,687,790
Operations								
Advertisement and recruitment	132,579	115,795	32,737	5,920	287,031	9,605	1,807	298,443
Bank fees	107	-	-	1,655	1,762	7,716	31,239	40,717
Clothing	4,933	-	-	-	4,933	-	-	4,933
Conferences and training	194,943	271,693	19,297	44,988	530,921	8,915	102,672	642,508
Contingency reserve	-	-	-	-	-	-	15,000	15,000
Contract services	4,048,169	1,061,024	167,884	908,861	6,185,938	79,728	882,373	7,148,039
Equipment leases	32,986	5,138	4,234	11	42,369	200	10,881	53,450
Family service fees	87,805	11	1,764,967	-	1,852,783	-	-	1,852,783
Food	75,260	229,790	219	-	305,269	-	-	305,269
Fundraising	275	-	-	-	275	46,707	11,310	58,292
Government fees	37,797	71,722	25,435	-	134,954	1,349	70,079	206,382
Insurance	100	-	-	-	100	-	633,929	634,029
Interest	297,700	22,465	33,359	32,285	385,809	7,174	376,016	768,999
In-kind	106,090	16,240	670	-	123,000	127,165	137,038	387,203
Medical-Non Medi Cal	23,116	788	36	-	23,940	3	17,273	41,216
Occupancy	374,437	544,011	105,029	-	1,023,477	836	105,339	1,129,652
Printing	2,261	4,812	654	1,011	8,738	7,502	10,393	26,633
Repairs and maintenance	785,996	588,542	97,963	17,894	1,490,395	10,889	660,771	2,162,055
Special events	299	119,768	-	-	120,067	-	-	120,067
Subscription and dues	20,501	34,171	3,482	11,784	69,938	16,511	377,457	463,906
Supplies and postage	873,997	603,695	49,030	28,333	1,555,055	20,312	341,512	1,916,879
Telephone	476,679	285,481	74,230	11,454	847,844	5,698	152,578	1,006,120
Transportation	1,108,523	272,311	158,059	11,727	1,550,620	5,413	209,160	1,765,193
Travel	99,027	110,715	13,853	77,832	301,427	2,445	180,678	484,550
Utilities	272,838	259,550	42,023	89	574,500	2,687	173,293	750,480
Total Expenses Before Depreciation	48,157,843	38,076,465	6,540,055	2,802,239	95,576,602	1,229,157	13,164,829	109,970,588
Depreciation	449,422	247,695	84,459	17,872	799,448	8,810	352,402	1,160,660
Total Direct Expenses	48,607,265	38,324,160	6,624,514	2,820,111	96,376,050	1,237,967	<u>\$ 13,517,231</u>	<u>\$ 111,131,248</u>
Allocable Expense	6,730,957	5,306,988	917,338	390,519	13,345,802	171,429		
Total Expense	<u>\$ 55,338,222</u>	<u>\$ 43,631,148</u>	<u>\$ 7,541,852</u>	<u>\$ 3,210,630</u>	<u>\$ 109,721,852</u>	<u>\$ 1,409,396</u>		

See accompanying notes

SENECA FAMILY OF AGENCIES

Statement of Functional Expenses

Year Ended June 30, 2017

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 32,155,978	\$ 24,973,643	\$ 3,097,920	\$ 1,237,784	\$ 61,465,325	\$ 525,363	\$ 6,664,506	\$ 68,655,194
Payroll taxes and employee benefits	7,150,364	5,553,264	688,869	275,240	13,667,737	116,822	1,481,953	15,266,512
Total Payroll	39,306,342	30,526,907	3,786,789	1,513,024	75,133,062	642,185	8,146,459	83,921,706
Operations								
Advertisement and recruitment	215,218	168,698	37,018	7,482	428,416	11,465	4,589	444,470
Bank fee	-	20	-	-	20	-	35,563	35,583
Clothing	4,910	-	-	-	4,910	-	-	4,910
Conferences and training	192,911	252,237	20,788	38,187	504,123	11,026	101,885	617,034
Contract services	4,076,961	1,978,575	152,509	1,000,341	7,208,386	208,240	1,134,138	8,550,764
Equipment leases	70,795	38,228	6,082	-	115,105	(50)	17,392	132,447
Family service fees	32,855	-	1,886,707	-	1,919,562	-	-	1,919,562
Food	80,821	204,734	-	-	285,555	77	-	285,632
Fundraising	-	2,053	-	-	2,053	23,785	4,482	30,320
Government fees	12,695	40,784	19,555	-	73,034	148	83,917	157,099
Insurance	104	-	-	-	104	-	562,094	562,198
Interest	238,611	18,079	38,253	36,471	331,414	5,792	414,951	752,157
In-kind	92,993	-	-	-	92,993	204,179	40,679	337,851
Medical-Non Medi Cal	27,623	2,741	-	-	30,364	-	3,278	33,642
Occupancy	436,415	420,116	113,832	-	970,363	1,415	126,869	1,098,647
Printing	4,058	7,726	3,494	2,193	17,471	16,266	14,112	47,849
Repairs and maintenance	1,086,936	528,989	88,462	9,036	1,713,423	12,602	573,227	2,299,252
Special events	10,338	127,720	-	-	138,058	-	-	138,058
Subscription and dues	17,973	26,835	1,483	7,550	53,841	14,054	260,399	328,294
Supplies and postage	993,078	634,951	74,451	39,869	1,742,349	26,533	419,890	2,188,772
Telephone	600,589	266,405	104,468	12,959	984,421	8,683	162,670	1,155,774
Transportation	1,369,347	228,619	183,222	11,813	1,793,001	4,576	238,419	2,035,996
Travel	195,092	152,024	20,787	102,538	470,441	17,334	225,432	713,207
Utilities	225,377	188,420	36,468	-	450,265	3,371	169,831	623,467
Total Expenses Before Depreciation	49,292,042	35,814,861	6,574,368	2,781,463	94,462,734	1,211,681	12,740,276	108,414,691
Depreciation	455,305	172,110	65,075	16,797	709,287	8,051	312,561	1,029,899
Total Direct Expenses	49,747,347	35,986,971	6,639,443	2,798,260	95,172,021	1,219,732	<u>\$ 13,052,837</u>	<u>\$ 109,444,590</u>
Allocable Expense	6,732,557	4,870,297	898,549	378,702	12,880,105	172,726		
Total Expense	<u>\$ 56,479,904</u>	<u>\$ 40,857,268</u>	<u>\$ 7,537,992</u>	<u>\$ 3,176,962</u>	<u>\$ 108,052,126</u>	<u>\$ 1,392,458</u>		

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ 1,061,421	\$ 1,497,419
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	1,160,660	1,029,899
Amortization of bond issuance costs	25,687	188,304
Donated bond issuance costs	-	(204,089)
Gain on asset disposal	(1,132,288)	(512,128)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - government agencies	(4,181,359)	(1,588,746)
Accounts receivable - other	98,396	(42,933)
Pledges receivable	117,200	50,000
Prepaid expenses	(208,955)	(28,651)
Deposits	(274,956)	(8,274)
Increase (decrease) in:		
Accounts payable	(369,706)	227,602
Accrued liabilities	522,412	144,569
Reserves	(23,987)	(234,121)
Overpayments	(95,925)	(300,178)
Deferred revenue	950,868	(526,677)
Net cash used by operating activities	(2,350,532)	(308,004)
Cash flows from investing activities		
Cash proceeds from sale of real estate	1,616,767	835,002
Purchase of property and equipment	(8,745,598)	(3,664,648)
Loan repayments received from affiliated nonprofit	-	553,412
Purchase of investments	(292)	(605)
Net cash used by investing activities	(7,129,123)	(2,276,839)
Cash flows from financing activities		
Cash from Series B bond issue	3,960,093	-
Cash from Series A bond issue for the reimbursement of property and equipment purchases	1,621,795	2,150,040
Principal payments on bonds payable	-	(78,814)
Principal payments on notes payable	(17,669)	(795,076)
Net cash provided by financing activities	5,564,219	1,276,150
Net decrease in cash	(3,915,436)	(1,308,693)
Cash and cash equivalents, beginning of year	9,280,266	10,327,486
Release of restricted cash upon refinance of underlying bonds payable	-	261,473
Cash and cash equivalents, end of year	\$ 5,364,830	9,280,266
Supplemental disclosures		
Interest paid	\$ 735,754	718,376
In-kind contributions for use in operations	387,203	337,851
In-kind contributions capitalized as bond issuance costs	-	204,089
Noncash transactions:		
Note receivable issued on sale of property	338,000	-
Notes payable paid upon sale of property	1,234,577	-
Refinance of notes payable and bonds payable, including issuance costs, using tax exempt bonds. See Note 11.	4,622,686	6,662,170

See accompanying notes.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 1 - The Organization

Seneca Family of Agencies (the Organization) was established in 1985 to safeguard the success and wellbeing of children and families, no matter how challenging their needs and circumstances. Today, the Organization serves over 18,000 youth and families annually through 209 program sites in 18 California counties and 3 counties in Washington State, utilizing the model of unconditional care as the standard to ensure each child's holistic needs are met. Seneca is one of the only agencies in the country that integrates juvenile justice, child welfare, education, mental health, and training into its service network.

National Leadership – In partnership with Family Finding, Seneca founded the National Institute for Permanent Family Connectedness, a leader in the state and national dialogue on family-based permanency. NIFPC consults and trains child welfare agencies, court systems and community partners across the country.

Community Based Services – Seneca's community-based services identify and build upon the intrinsic strengths of children and families, accelerating their progress toward attaining self-sufficiency and long-term success in their home communities. These programs provided for the safety and stability of 7,842 youth during the 2017-2018 fiscal year.

School Based Mental Health and Special Education Programs – Seneca's nationally-recognized Unconditional Education model incorporates a prevention and early intervention approach, shifting whole-school culture to the benefit of all students. Seneca transformed the educational experience of 1,653 youth through school-based programming in the 2017-2018 fiscal year.

Foster Care and Permanency – The foster care and permanency programs serve about 1,000 children each year through adoption, relative care, post adoption, and mental health services. Seneca's Kinship Center programs consistently achieve a 98% or higher success rate in finding permanent placements for foster children, outperforming the national norm of 75-85%.

Professional and Parent Education – In pursuit of innovative and high quality client care, Seneca is committed to providing professional development to staff and community partners. The Organization's training institute also offers specialized adoption and parent training curricula to expand the scope of evidence-based and evidence-informed learning.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 1 - The Organization (continued)

National Accreditation – The Organization has achieved Joint Commission Behavioral Health Care Accreditation manifesting its dedication to meeting or exceeding the highest standards of behavioral health care delivery.

Volunteer professional services and in-kind donor participation – During the years ended June 30, 2018 and 2017 the Organization acknowledged the following in-kind donations:

	<u>2018</u>	<u>2017</u>
In kind donations for use in programs	\$ 165,744	\$ 204,179
In kind rent	84,421	92,993
Legal services	<u>137,038</u>	<u>244,768</u>
	<u>\$ 387,203</u>	<u>\$ 541,940</u>

During year ended June 30, 2017, \$204,089 of donated legal services above were capitalized as bond issuance costs, shown as a reduction in bond debt on the balance sheet. These costs are being amortized over the term of the related bonds.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting - The accrual method of accounting is used, which reflects revenue when earned and expenses as incurred.

Basis of presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations, which represent the expendable resources that are available for operations at management's discretion.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents - Cash and cash equivalents include cash, money market accounts, and demand deposits held by financial institutions, and other highly liquid investments with a maturity of three months or less.

Accounts receivable - Accounts receivable includes receivables from governmental agencies and private foundations, as well as receivables related to rents, service and consulting income. The Organization uses an allowance method in order to reserve for potential uncollectible accounts receivable.

Property and equipment - Property and equipment in excess of \$1,500 are stated at cost if purchased or at fair market value at the date of donation if donated, with the exception of assets purchased for the group homes, which are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions and pledges receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments - The Organization values its investments at fair value. Gains and losses (including investments bought, sold, and held during the year) are reflected in the statement of activities as investment return. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

Fair value measurements - Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices on active markets for identical assets

Level 2 inputs - quoted prices on active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

The Organization is required to measure three types of assets and the related revenues at fair value: unconditional promises to give (pledges receivable), certain investments, and in-kind contributions. The specific techniques used to measure fair value for each element are described in the notes that relate to each element.

Revenue recognition – The Organization reports cash contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

In-kind contributions - Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of unpaid volunteers have made significant contributions of their time and perform a variety of tasks that assist the Organization with its programs. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Functional allocation of expenses - The Organization has in place a cost allocation plan employed to allocate indirect expenses among programs and administrative services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes - The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d, and is considered by the IRS to be an organization other than a private foundation.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Management has considered its tax positions and believes that all of the positions taken in the Organization's federal and state exempt organization and business income returns are more likely than not to be sustained upon examination.

Note 3 - Pledges Receivable

Pledges receivable are recorded as support when pledged, unless designated otherwise. All pledges are valued at estimated fair value at the date of the pledge. The total amount of pledges receivable at June 30, 2017 of \$117,200 were collected within one year. There are no pledges receivable outstanding as of June 30, 2018.

Note 4 - Property and Equipment

Classification as Held and Used: As of June 30, property and equipment held for use in operations consists of the following:

	2018	2017
Land	\$ 9,724,229	\$ 9,161,881
Buildings	14,693,243	11,605,851
Leasehold improvements	7,156,532	5,970,738
Furniture and equipment	2,403,193	2,073,604
Vehicles	1,778,917	1,559,289
Portable buildings	178,314	263,383
Construction in progress		
Real estate	1,753,876	1,058,912
IT infrastructure	545,937	100,511
	38,234,241	31,794,169
Accumulated depreciation	(8,178,086)	(7,588,719)
	<u>\$30,056,155</u>	<u>\$ 24,205,450</u>

For the year ended June 30, 2018 and 2017, depreciation expense was \$1,160,660 and \$1,029,889, respectively.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 4 - Property and Equipment (continued)

The Organization is evaluating the use of a former group home in Crockett, California, and accordingly, it is classified as held and used as of June 30, 2018 and 2017. Three other group homes, classified as held and used at June 30, 2017, were sold during the year.

The Organization leases a portion of its commercial space at various locations to other organizations, and leases land in Oakland, California, to a communications company. Leases are for various terms expiring through December 2021. During the year ended June 30, 2017, the Organization leased its former group homes as well as commercial property in Sonoma, California, now used solely in operations.

Fixed assets included in property and equipment held and used that are utilized in leasing activities are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,262,690	\$ 1,234,268
Buildings	<u>5,239,978</u>	<u>3,266,910</u>
	6,502,668	4,501,178
Accumulated depreciation	<u>(244,111)</u>	<u>(552,930)</u>
	<u>\$ 6,258,057</u>	<u>\$ 3,948,248</u>

Total lease income for the year ended June 30, 2018 and 2017 is \$391,458 and \$264,270, respectively, and is included in other revenue.

Minimum future rental income from leases is as follows:

<u>Year ending June 30,</u>	
2019	\$ 298,992
2020	194,235
2021	122,152
2022	<u>31,968</u>
	<u>\$ 647,347</u>

Classification as Held for Sale – In March 2018, the Organization entered into an agreement for the sale of real property located in Oakland, California. The sale was amended in December 2018 with an adjusted purchase price of \$12,700,000. Closing is scheduled for May 15, 2019, but the Optionee may extend the closing date until no later than September 12, 2019.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 4 - Property and Equipment (continued)

The Organization has an option agreement related to this sale, and received \$275,000 in option revenue for year ended June 30, 2018, which is included in other revenue. Subsequent to year end, the Organization received \$320,000 in additional option payments and fees. After the sale, the Organization will consolidate the portion of its operations at this site to other existing locations.

As of June 30, total property and equipment held for sale consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,656,764	\$ 2,656,764
Buildings	<u>201,740</u>	<u>578,562</u>
	3,336,930	3,235,326
Accumulated depreciation	<u>(80,000)</u>	<u>(144,000)</u>
	<u>\$ 2,778,504</u>	<u>\$ 3,091,326</u>

Note 5 - Investments

The balances of investment assets measured at fair value as of June 30, 2018 and 2017 are \$12,064 and \$11,772, respectively.

Investment return for the year ended June 30, 2018 and 2017, respectively, is included with interest income on the statement of activities as follows:

	<u>2018</u>	<u>2017</u>
Investment return	\$ 396	\$ 1,051
Other non-investment interest	<u>21,569</u>	<u>6,234</u>
	<u>\$ 22,523</u>	<u>\$ 7,285</u>

All investment return is classified as unrestricted in the statement of activities.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 6 - Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017, respectively:

<u>Level 2</u>	<u>2018</u>	<u>2017</u>
Pooled securities	<u>\$ 12,064</u>	<u>\$ 11,772</u>

The fair value of pooled securities has been measured on a recurring basis using quoted prices in active markets for the same or similar assets (Level 2 inputs).

Transactions measured at fair value on a non-recurring basis during the years ended June 30, 2018 and 2017, respectively, are \$387,203 and \$541,940 of in-kind contributions.

The fair values of in-kind contributions are measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs). The fair values of pledged contributions are measured on a non-recurring basis, based on the value provided by the donor at the date of the pledge (Level 3 inputs).

Note 7 - Accrued Liabilities

Accrued liabilities as of June 30, consist of the following:

	<u>2018</u>	<u>2017</u>
Wages	\$ 2,184,603	\$ 2,171,416
Vacation	4,142,504	4,078,942
Payroll taxes and benefits	1,751,783	1,357,210
Private insurance offset	807,273	764,234
Other liabilities	<u>445,932</u>	<u>437,881</u>
	<u>\$ 9,332,095</u>	<u>\$ 8,809,683</u>

Note 8 - Line of Credit

The Organization has a line of credit with a bank for \$4,750,000 will expire January 9, 2019. Interest is computed at the bank's prime rate, with a minimum rate of 3.75% and a maximum rate up to the limit allowed by law. The line of credit is secured by the organization's accounts, equipment and inventory. There is no balance outstanding as of June 30, 2018.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 8 - Line of Credit (continued)

At June 30, 2017, the Organization had a line of credit with a different bank for \$2,000,000. Interest was computed at a floating rate per annum equal to the LIBOR rate. The line of credit was secured by real property. There was no balance outstanding at June 30, 2017. The line of credit expired in January 2018.

At June 30, 2017, the Organization also had an irrevocable letter of credit for \$2,770,000. Interest was computed at the bank's prime rate plus 2.939%, up to the limit allowed by law. There was no balance outstanding as of June 30, 2017. The letter of credit expired in January 2018.

Note 9 - Liability for Overpayments Received

Timing differences in recording terminations from the various programs result in receipts for services relating to children who have left the programs. These receipts may be refundable to the county agencies providing the funds. Accordingly, the Organization records these amounts as a liability. The Organization is contacted by county agencies on a child-by-child basis or a contract basis regarding the repayment process.

If no action or response to inquiries on overpayments is received by the Organization five years subsequent to receipt of funds, the funds are recognized as income. Under this policy, \$128,382 and \$251,872 of overpayments were taken into income in the year ended June 30, 2018 and 2017, respectively, and are included in other revenue on the statement of activities.

Note 10 - Notes Payable

Notes payable as of June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Note payable to bank, secured by real property, payable in monthly installments of \$8,783, including interest at 4.57%, due September 2033.	\$1,152,857	\$1,204,130

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 10 - Notes Payable (continued)

	<u>2018</u>	<u>2017</u>
Note payable to state agency, secured by real property, payable in monthly installments of \$1,408.66, including interest at 3.00%, due September 2019.	15,409	27,340
Note payable to bank, secured by real property, payable in monthly installments of \$6,609, including interest at 3.59%, due May 2025.	-	1,232,082
Note payable to bank, secured by real property, payable in monthly installments of \$6,739.84, including initial interest at 4.07%, due August 2025.	-	1,204,742
Note payable to bank, secured by real property, payable in monthly installments of \$8,740, including interest at 4.22%, due June 2025.	-	1,182,007
Note payable to bank, secured by real property, payable in monthly installments of \$6,863, including interest at 3.59%, due May 2025.	-	800,449
Note payable to bank, secured by real property, payable in monthly installments of \$3,347.30, including initial interest at 3.74%, due April 2026.	-	629,439
Note payable to bank, secured by real property, payable in monthly installments of \$2,571, including interest at 3.59%, due May 2025.	-	478,824
Note payable to bank, secured by real property, payable in monthly installments of \$1,087, including interest at 4.22%, due June 2025.	<u>-</u>	<u>190,646</u>
Total notes payable	\$ 1,168,266	\$ 6,949,659
Current portion	<u>(66,763)</u>	<u>(254,091)</u>
	<u>\$ 1,101,503</u>	<u>\$ 6,695,568</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 10 - Notes Payable (continued)

Debt maturities of notes payable are as follows:

Year ending June 30,	
2019	\$ 66,763
2020	60,139
2021	59,676
2022	62,461
2023	65,396
Thereafter	<u>853,831</u>
	<u>\$ 1,168,266</u>

Note 11 - Bonds Payable

In December 2016, the Organization began issuing tax exempt bonds financed through Wells Fargo Bank. Total bonds to be issued are not to exceed \$19,500,000, with sale of taxable bonds not to exceed \$16,000,000 for the purpose of refinancing prior indebtedness, funding of certain capital projects and the acquisition of additional real and personal property to further the Organization's mission. As of June 30, 2018 and 2017, respectively, \$14,312,281 and \$8,812,210 of California Infrastructure and Economic Development Bank Tax-Exempt Revenue Bonds Series 2016A have been issued under the agreement.

As a result of the refinancing of existing bonds payable, \$261,473 of cash held in trust was released into the Organization's unrestricted cash accounts in the year ended June 30, 2017.

The Organization will have until December 2018 to roll additional existing debt into the tax exempt revenue bonds as well as utilize the taxable bonds. Access to the taxable portion of the bonds will require bank approval and will be converted into tax exempt bonds provided all properties are tax exempt. Principal payments begin January 2019 including interest at 3.42% with final payment due December 2038.

In December 2017, the Organization issued a second series of tax exempt bonds financed through Wells Fargo Bank. Principal payments begin February 2019 including interest at 2.94% with final payment due January 2039. As of June 30, 2018, \$4,700,000 of California Infrastructure and Economic Development Bank Tax-Exempt Revenue Bonds Series 2016B have been issued under this agreement.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 11 - Bonds Payable (continued)

Proceeds of bond issues were used for the following purposes:

	<u>2018</u>	<u>2017</u>
Principal payment on existing notes payable	\$ 8,929,064	\$ 4,396,618
Principal payment on existing bonds payable	2,001,186	2,001,186
Reimbursement for purchase and renovation of property and equipment	7,727,425	2,150,040
Issuance costs	<u>354,606</u>	<u>264,366</u>
	<u>\$19,012,281</u>	<u>\$ 8,812,210</u>

As required by the terms of the bond regulatory agreement, the Organization must satisfy certain restrictive covenants which, among other terms, requires the maintenance of certain financial ratios and operational levels, places limits on other indebtedness, and requires certain informational reports. The Organization has pledged security interests in certain real property.

Subsequent to year end, the Organization rolled \$332,062 of property purchase reimbursements into additional Series A bonds.

In 2017, the Organization retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than an asset. Amortization of the debt issuance costs is now reported as interest expense in the statement of activities.

Bonds payable as of June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Total bonds payable	\$ 19,012,281	\$ 8,812,210
Debt issuance costs, net of amortization	<u>(520,845)</u>	<u>(457,495)</u>
Bonds payable, net	<u>\$ 18,491,436</u>	<u>\$ 8,354,715</u>

Expected maturities for the bonds are as follows:

Year ending June 30,	
2019	\$ 329,937
2020	705,856
2021	729,474
2022	753,886
2023	779,117
Thereafter	<u>15,714,011</u>
	<u>\$ 19,012,281</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017, are restricted as to timing and purpose, for use as follows:

	<u>2018</u>	<u>2017</u>
NoCal South County Clinic	\$ 286,444	\$ 276,444
San Benito Placement	166,068	150,000
SoCal Placement	154,346	122,142
Family Ties	129,591	127,155
James Irvine Foundation	122,764	197,356
Education Institute	69,340	69,340
Friends Funds – Southern California	54,318	54,307
REACH Program	27,077	27,077
Gates Foundation	21,297	332,520
Pfeiffer Foundation	20,000	20,000
Corazza Scholarship Fund	17,415	17,415
Education Fund	16,621	20,311
Salinas Rotary MH	14,775	-
Friends Funds – San Luis Obispo	13,911	11,591
Parent Child Interactive Therapy	10,738	10,796
NoCal Placement	-	115,009
GAIT	-	24,905
I Padrini Family Finding Fund	-	10,055
Funds and programs with less than \$10,000 at year end	<u>20,282</u>	<u>27,483</u>
	<u>\$ 1,144,987</u>	<u>\$1,613,906</u>

Note 13 - Permanently Restricted Net Assets

Permanently restricted net assets represent contributions where the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends therefrom may be expended for unrestricted purposes. At June 30, 2018 and 2017, permanently restricted net assets were \$65,175.

Generally accepted accounting principles provide guidance on the net asset classification of donor-restricted endowment fund for a nonprofit organization and also require additional disclosures about an organization's endowment funds.

The Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 13 - Permanently Restricted Net Assets (continued)

the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The Organization has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets.

The Organization's endowment funds are held in cash and investment accounts. Changes to the endowment net assets are as follows:

Beginning balance July 1, 2016	\$ 65,175
	<u>-</u>
Ending balance June 30, 2017	65,175
	<u>-</u>
Ending balance June 30, 2018	<u>\$ 65,175</u>

All investment returns related to endowment assets were transferred to unrestricted net assets, as directed by the board spending policy.

Note 14 - Government Contract Revenues

Government contract revenues for the year ended June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Community based programs	\$ 52,618,267	\$ 54,413,816
Education and school based programs	44,101,190	41,538,847
Foster care and permanency	6,498,777	7,639,185
Cost settlement and other		
contract adjustments	<u>-</u>	<u>107,814</u>
	<u>\$103,218,234</u>	<u>\$103,669,662</u>

Certain prior year revenues above were reclassified between programs for presentation purposes, to be consistent with the current year presentation.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 15 - Acquisitions of Nonprofit Entities

Above the Line - Effective July 1, 2016, the Organization has acquired all of the assets and liabilities of Above the Line, a nonprofit organization providing foster care and adoption services in Aptos, California. The acquisition strengthened the continuum of services offered to children and families in Santa Cruz County. No consideration was transferred in the acquisition. The Organization acquired assets and assumed liabilities, recorded at their fair market values, as follows:

Cash	\$ 144,231
Accounts receivable	54,763
Deposits and other assets	<u>3,764</u>
Total assets acquired	<u>\$ 202,758</u>
Accounts payable	\$ 32,279
Accrued liabilities	<u>26,063</u>
Total liabilities assumed	<u>\$ 58,342</u>

The fair market value of the receivables is equal to contract value, as all amounts are considered collectible.

The Organization recorded the \$144,416 excess value of the acquired assets over the liabilities assumed as general contribution revenue on the statement of activities for year ended June 30, 2017.

Family Life Center - Effective March 15, 2017, the Organization acquired all of the assets and liabilities of Family Life Center (FLC), a nonprofit organization operating residential treatment and education programs for children and families in need in Petaluma, California. The acquisition strengthened the continuum of services offered to children and families in the North Bay. No consideration was transferred in the acquisition. The Organization acquired assets and assumed liabilities, recorded at their fair market values, as follows:

Cash	\$ 397,496
Other assets	<u>450</u>
Total assets acquired	<u>\$ 397,946</u>
Accounts payable	<u>\$ 52,823</u>
Total liabilities assumed	<u>\$ 52,823</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 15 - Acquisitions of Nonprofit Entities (continued)

The Organization recorded the \$345,123 excess value of the acquired assets over the liabilities assumed as general contribution revenue on the statement of activities for the year ended June 30, 2017.

Prior to the acquisition, FLC repaid \$66,023 of accounts payable due to the Organization and \$553,412 of funds advanced by the Organization under an operating line of credit agreement.

Prior to March 15, 2017, the Organization and FLC entered into an affiliation agreement effective October 8, 2015. Because of the level of control over operations and governance under the affiliation agreement, the Organization consolidated FLC's operations in its June 30, 2016 financial statements. For the period beginning July 1, 2016 and ended March 15, 2017, FLC incurred a net loss of \$55,896.

Note 16 - Other Revenue

Other revenue for the year ended June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Gain on sale of fixed assets	\$ 1,132,288	\$ 512,128
Family finding and identification services	743,466	664,552
Lease income	391,458	264,270
Option payments	275,000	-
Overpayments recognized	128,382	251,872
Computer consulting	66,000	68,594
Other	<u>206,096</u>	<u>207,556</u>
	<u>\$ 2,942,690</u>	<u>\$1,968,972</u>

Note 17 - Operating Lease Commitments

The Organization leases facilities and equipment under operating leases expiring in various years through March 2023. For the years ended June 30, 2018 and 2017, respectively, lease expense was \$1,267,523 and \$1,231,321, including donated rent of \$84,421 and \$92,993.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 17 - Operating Lease Commitments (continued)

Minimum future rental payments under these leases are as follows:

<u>Year ending June 30,</u>	
2019	\$ 1,129,651
2020	1,087,563
2021	1,075,790
2022	1,082,015
2023	<u>1,087,122</u>
	<u>\$ 5,462,141</u>

Note 18 - Other Commitments, Reserves and Contingencies

Pursuant to county, state and federal requirements for funding community service centers, the Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations.

The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the organization has no provision for the possible disallowance of program costs on its financial statements.

The Organization is primarily funded through county, state and federal government contracts, which are subject to political, financial and operational risks which may affect the ongoing funding of contracts. To protect from any fiscal impact of changing contract terms potentially leading to sudden and unexpected loss of revenue, the Organization established a contracts contingency reserve. The reserve is based on a percentage of certain program revenues.

The Organization is fully self-insured through the state of California for its workers' compensation insurance costs. The Organization is liable for costs up to \$500,000 per claim, with state and third-party insurance coverage for costs in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not yet reported.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 18 - Other Commitments, Reserves and Contingencies (continued)

Total reserves on the statement of financial position as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Workers' compensation	\$ 3,361,217	\$ 3,400,204
Contracts contingency	<u>474,989</u>	<u>459,989</u>
	\$ 3,836,206	3,860,193
Current portion	<u>(519,873)</u>	<u>(511,235)</u>
	<u>\$ 3,316,333</u>	<u>\$ 3,348,958</u>

Note 19 - Concentration of Credit Risk

The Organization maintains cash balances and money market accounts at various financial institutions, which are FDIC insured up to the limits allowed by law. At times such balances may exceed the insurance limit. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant credit risk related to cash.

Note 20 - Retirement Plan

All employees with over 1,000 hours of service are covered by a 403b tax deferred annuity plan. Employees are eligible to participate in the plan immediately, and are eligible for employer discretionary contributions after 24 months of service. Participants may elect to defer a percentage of their salaries, up to the amounts allowed by law. Employer contributions are at the discretion of the board of directors. For the year ended June 30, 2018, and 2017, the Organization expensed \$720,879 and \$343,609, respectively, in discretionary contributions which are included in accrued liabilities as of June 30, 2018 and 2017.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2018 and 2017

Note 21 - Subsequent Events

Management has evaluated subsequent events through December 15, 2018, the date on which the financial statements were available to be issued.

Purchase of real property for use in operations – In March 2018, the Organization entered into an agreement to purchase property in Oakland, California, for \$15.65 million, subject to a 60-day due diligence period. The Organization deposited \$200,100 in escrow at signing. Subsequent to year end, the Organization paid \$200,000 in options to extend the due diligence period to May 2019, as allowed by the agreement. The due diligence period can be further extended to December 2019 with an additional \$100,000 option payment. The Organization is concurrently leasing buildings on the property for \$13,000 per month in order to perform property renovations.

In August 2018, the Organization purchased real property in Petaluma, California, for \$2,050,000 with cash.

In October 2018 the Organization purchased real property in San Rafael, California, for \$1,650,000 with cash.

Sale of real property – See Note 4 for information on a sale subsequent to year end. The property involved has been classified as Held for Sale as of June 30, 2018 and 2017.

Additional bonds issued – See Note 11 for information on additional bonds issued subsequent to year end.

Note 22 - Supplemental Fair Value Information

Management's estimate of fair value of real estate holdings as of June 30, 2018 and 2017, which are based on appraisals, discussions with real estate professionals and other public sources of real estate value, is \$54,125,814 and \$49,093,383, respectively.

Supplementary Information

Seneca Family of Agencies

Schedule of Expenditures of Alameda County Grants

Year Ended June 30, 2018

Program Name	Behavioral Health Care Services
Procurement Contract Number	15256
Board P.O	9073
Exhibit Number (or Description)	900121
Contract Period	07/01/17-06/30/18
Contract Amount	\$ <u>25,041,627</u>
Expenses	
Salaries and PR benefits	\$ 18,674,601
Operating Expenses	2,046,101
Admin Allocation	<u>2,900,898</u>
Total Expenses	\$ <u>23,621,600</u>
Amount reimbursed by county	\$ <u>23,000,975</u>

SENECA FAMILY OF AGENCIES

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2018

<u>Grantor / Program Title</u>	Federal	Pass-Through	Expenditures		
	CFDA Number	Grantor's Number	Federal	Nonfederal	Total
Department of Health & Human Services:					
Foster Care Title IV-E:					
Passthrough - State of California Department of Social Services	93.658		\$ 1,105,636	\$ 2,405,634	\$ 3,511,270
Pass-through - San Francisco Community College District	93.658		35,482	-	35,482
Pass-through - Alameda County, California	93.658		798,601	-	798,601
Pass-through - Solano County, California	93.658		140,552	-	140,552
Pass-through - Contra Costa County, California	93.658		97,597	-	97,597
Pass-through - Monterey County, California	93.658		223,176	-	223,176
Pass-through - Santa Clara County, California	93.658		7,000	-	7,000
Pass-through - Orange County, California	93.658		12,000	-	12,000
Pass-through - Riverside County, California	93.658	CS-03817	16,000	-	16,000
Pass-through - Ventura County, California	93.658		78,000	-	78,000
Pass-through - Santa Barbara County, California	93.658	BC#17-224	50,000	-	50,000
Pass-through - Monterey County, California	93.658		181,587	-	181,587
Pass-through - San Benito County, California	93.658		46,902	-	46,902
Pass-through - Santa Cruz County, California	93.658		18,000	-	18,000
Subtotal - Foster Care Title IV-E			2,810,533	2,405,634	5,216,167
Adoption Assistance:					
Pass-through - State of California Department of Social Services	93.659		673,422	895,030	1,568,452
Pass-through - California Department of Education					
Child Development Division, State Preschool					
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	CSPP-7022	10,830	-	10,830
Pass-through - California Department of Education					
Child Development Division, State Preschool					
Child Care and Development Block Grant	93.575	CSPP-7022	4,974	-	4,974
Pass-through - King County, Washington					
Child Abuse and Neglect	93.670	90CA1825-01-01	77,982	-	77,982
			3,577,741	3,300,664	6,878,405
Department of Justice:					
Pass-through - Sonoma County, California					
Keeping Kids in School	16.738	BSCC 608-14	598,764	-	598,764
Department of Agriculture:					
Pass-through - California State Department of Agriculture					
National Breakfast Program	10.553	161309703	11,450	-	11,450
National Lunch Program	10.555	161309703	34,350	-	34,350
			45,800	-	45,800
Pass-through - California Department of Education:					
Child Development Division					
State Preschool		CSPP-7022	-	70,170	70,170
			\$ 4,222,305	\$ 3,370,834	\$ 7,593,139

See auditors' report.

See accompanying notes to schedule of expenditures of federal and nonfederal awards.

SENECA FAMILY OF AGENCIES

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and nonfederal awards includes the federal grant activity of Seneca Family of Agencies under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Seneca Family of Agencies, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Seneca Family of Agencies.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Seneca Family of Agencies has elected to not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Audit Committee of
Seneca Family of Agencies

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seneca Family of Agencies (a California non-profit public benefit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Seneca Family of Agencies' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seneca Family of Agencies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Seneca Family of Agencies' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged in governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Seneca Family of Agencies' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilmore & Associates LLP

San Mateo, CA
December 15, 2018



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Audit Committee of
Seneca Family of Agencies

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Seneca Family of Agencies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Seneca Family of Agencies' major federal programs for the year ended June 30, 2018. Seneca Family of Agencies' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Seneca Family of Agencies' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seneca Family of Agencies' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Seneca Family of Agencies' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Seneca Family of Agencies complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Seneca Family of Agencies is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Seneca Family of Agencies' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seneca Family of Agencies' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilmore & Associates LLP

San Mateo, CA
December 15, 2018

SENECA FAMILY OF AGENCIES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Seneca Family of Agencies.
2. No significant deficiencies related to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of non-compliance material to financial statements of Seneca Family of Agencies, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.
5. The auditors report on compliance for the major federal award programs for Seneca Family of Agencies expresses an unmodified auditors' report on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) were identified.
7. The programs tested as major programs include:

CFDA#93.659 Adoption Assistance	\$673,422
CFDA#16.738 Keeping Kids in School	\$598,764
8. The dollar threshold used to distinguish between type A and type B programs is \$750,000
9. Seneca Family of Agencies was determined to be a low-risk auditee.

Financial Statement Findings

No matters were reported.

Findings and Questioned Costs – Major Federal Awards Program Audit

No matters were reported.